

localinsights

fall 2013 southeast

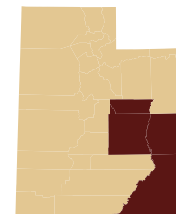
An economic and labor market analysis of the Southeast Utah Area

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Local New-Hire Activity and Patterns

The Importance of New Hire Data (U.S. Census Bureau's Local Employment Dynamics (LED) Program)



in this issue:

Local New-Hire Activity and Patterns 1

Who's hiring and who's being hired? Tracking new-hire data provides one way to gauge business and economic climate at a localized level.

First-Quarter Economic Indicators for Castle Country and Southeast Utah 5

A first-quarter economic snapshot of Castle Country and Southeastern Utah.

The Benefits of New Hire Registry 8

In addition to tracking non-custodial parents, the New Hire Registry also provides a wealth of socio-economic information.

ERIC MARTINSON, ECONOMIST

The recovery from the Great Recession seems to have been quite selective so far. Nationally, different industries and earnings are recovering at different rate—some not at all. In Utah, local economies are a reflection of key industries in that particular locality, and so the recovery has been selective in its regional application as well. Notwithstanding this selective recovery, Utah has truly proven one of the great economic recovery stories compared with the rest of the nation. While national unemployment rates continue to soar above 7 percent, Utah's share of unemployed has been below 5 percent for several months. While this and other employment statistics tout Utah's thriving story of recovery, much discussion has been aimed at where specifically business expansion is occurring and how wages have responded to the recovery. Among the myriad of economic indicators available to gauge the recovery from the Great Recession is one particular element that tracks newly hired wage earners. The U.S. Census Bureau's Local Employment Dynamics (LED) program is an important resource in determining, among other things, new-hires activity at a localized level. The new hires analyzed throughout this article represent just private sector employment.

This analysis applies to "stable new hires", defined by the LED program as wage earners who, in a given quarter, have started a

new job with an employer and who had not been employed there in any of the previous four quarters. These new hires must continue employment for at least one quarter. Analyzing new hires over time is one way to determine not only to what degree businesses have been expanding but it may also provide details about which industries are hiring new workers at a faster (or a slower) rate, who is hiring, who is being hired and how much a new hire might typically be paid. While Utah has been ahead of the nation in terms of economic recovery, the story differs from region to region and the make-up of the recovery may also be a story of new-hire patterns and demographics that have changed over the past decade. So, what has been the make-up of the Castle Country and Southeast Utah's new-hire activities over time? More particularly, have new hires in the Castle Country and Southeastern regions picked up since the recession, and if so, how can the new-hire story be categorized for the region?

New Hires Overview: What Are the New Hire Trends?

In 2011, the average quarterly new-hire employment was just above 7,800 for Castle Country and 6,800 in Southeast Utah. For Castle Country, this represents a 15 percent increase from the recession low in 2009 but still 16 percent below the new-hire level in 2007. Southeast new-





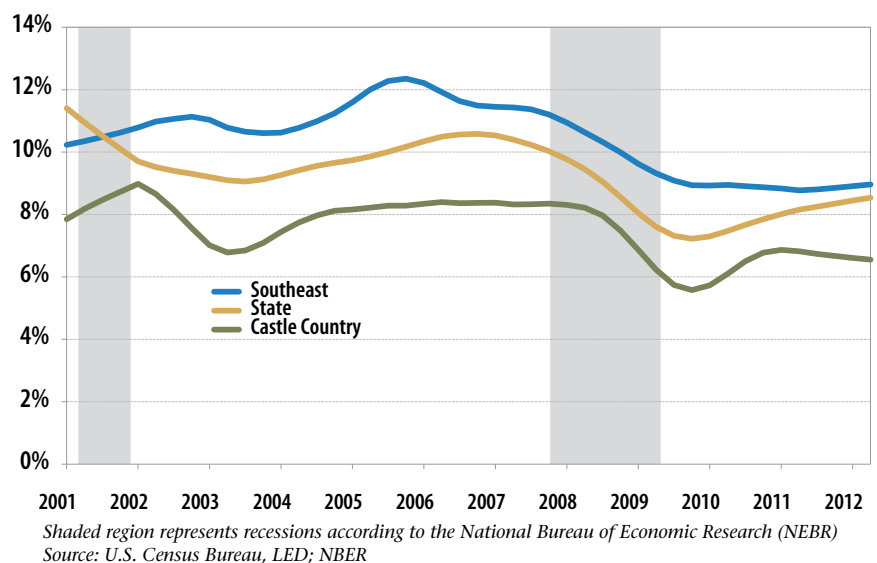
Local New-Hire Activity and Patterns (continued)

hire employment in 2011 was up 4 percent from its recession low but still down 17 percent from its 2007 high. Figure 1 shows seasonally adjusted new-hire employment as a percentage of total employment for Castle Country and Southeast Utah from first quarter 2001 to second quarter 2012.

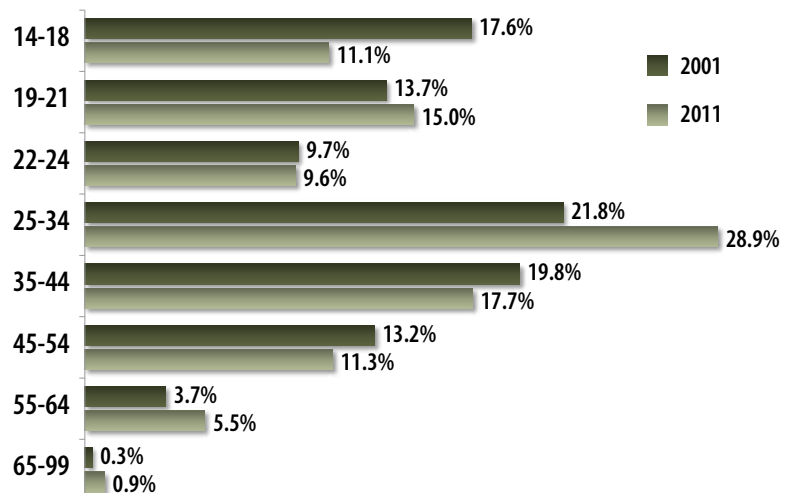
New hires as a percentage of total employment should give a better sense of business expansions and contractions than just new-hire employment levels. The relatively stable pre-recession new-hire ratio of 8 percent for Castle Country dropped just below 6 percent in 2009. It has since gained some ground but has slowly fallen from 2011 forward. An economy dependent on a coal industry which has been waning over the last two years, Castle Country has been experiencing a general lack of recent employment gains overall, which also explains the decline in new-hire workers per total employed.

Quite a special case can be made for the economy in Southeast Utah. Based substantially on leisure and hospitality, employment here fluctuates significantly from season to season. Many workers are employed during the late-spring to late-summer and early-fall months, with employment falling during the winter months. Many wage earners in leisure and hospitality are re-hired before the LED threshold definition of new hires would kick in. Therefore, in evaluating new-hire activity for the Southeast region, one must be cognizant of the fact that the economy shows a high rate of re-hiring. That said, new-hire employment as a ratio of total employment for Southeast Utah generally has steadily dropped from mid-2005 (at

**Figure 1. New Hires as a Percentage of Total Employment
Quarterly Employment, First Quarter 2001 to Second Quarter 2012
Seasonally Adjusted**

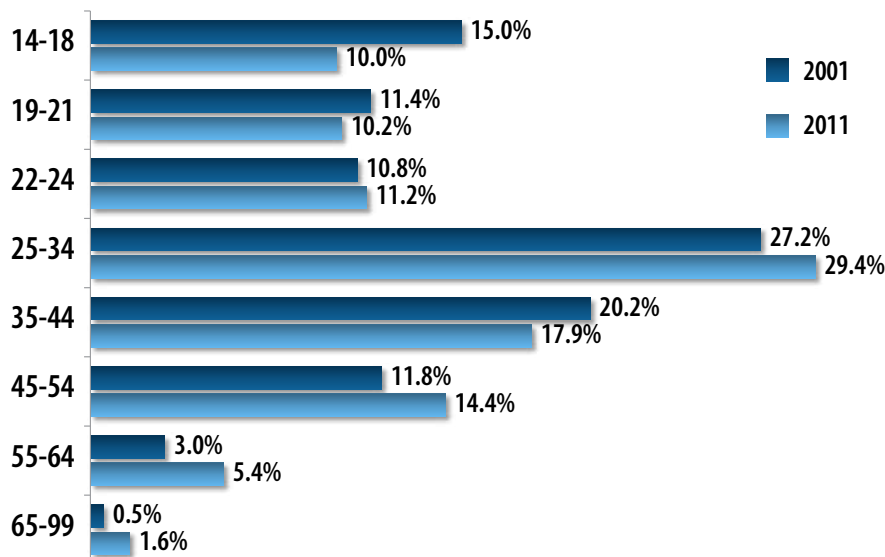


**Figure 2. Castle Country Percentage Change in New-Hire Employment
by Age Group, 2001 vs. 2011**



Source: U.S. Census Bureau, LED

Figure 3. Southeast Percentage Change in New-Hire Employment by Age Group, 2001 vs. 2011



Source: U.S. Census Bureau, LED

just above 14 percent) to about mid-2011 (at about 10 percent) where the trend seems to have flattened and is showing a slight increase.

General Profile of New Hires: Who is Being Hired?

In Castle Country, odds are one-in-three that a new hire will be between the ages of 14 and 18 and two-in-three that a new hire will be 34 years or younger. What is worth noting is how the share of new hires among youth (14-18 years old) has dropped from 18 percent in 2001 to 11 percent by 2011. This fits the larger picture of decreased labor force participation rates among youth over the past decade. Since new hires tend to be younger, a 6 percent drop in new hires in just one age group is rather significant (Figure 2). The Southeast region's profile by age is similar: 65 percent of new hires are 34 or younger; 39 percent are 24 years old or younger and its share of 14 to 18 year-old new hires have also decreased, by 5 percent between 2001 and 2011 (Figure 3).

Castle Country new hires are slightly more in favor of the male working population. In 2011, 58 percent of all new hires were male. Given the importance of coal mining and closely allied industries like transportation in the region, it stands to reason that the workforce would tend slightly toward the males. In the leisure-and-hospitality-driven economy of the Southeast region, the male-to-female split is a bit more even. Interestingly, the split was more in favor of women at the beginning of this last decade, when female wage earners carried 54 percent of total payroll employment. As of 2011, the female share has dropped to 48 percent. This may be largely due to the increasing presence of mining jobs in the region from 2006 onward.

In 2011, 13 percent of Castle Country wage earners had less than a high school degree; 37 percent had just a high school degree (or equivalent); 35 percent had some college experience (or an associate's degree); 15 percent had at least a bachelor's degree. For the same year, the Southeast region's work force was comprised of 17

percent with no high school degree, 35 percent with just a high school degree, 33 percent had some college experience and 15 percent with at least a bachelor's degree. The share of those who finished college increased in this region from 11 percent in 2001 to 15 percent in 2011.

Industry New-Hire Activity: Who's Hiring?

According to the latest quarter of available LED data, three out of every four recent new wage earners in Castle Country were hired in one of the following five industries: leisure and hospitality (22 percent), retail trade (19 percent), mining (15 percent), health care (10 percent), and in administrative, support, waste management and remediation services (8 percent). Four out of every five new jobs in Southeast Utah were in four dominating industries: leisure and hospitality (46 percent), retail trade (16 percent), health care (11 percent), and mining (9 percent).

In Castle Country, new hires are more likely than not to be employed by medium to large sized firms. 38 percent of new hires in the region were from employers of 500 or more employees, such as retail firms and coal mining operations. Twenty-four percent of new hires were with firms comprising of 50 to 499 employees and 12 percent with 20 to 49 employee firms. In the Southeast, on the other hand, just under half of all new hires were employed



Local New-Hire Activity and Patterns (continued)

with small firms (0 to 19 employees) and 13 percent were employed with small to medium-sized firms.

New Hire Earnings: How Much are New Hires Compensated?

Always a vital component to analyzing labor statistics, wages can reflect the value of various attributes, skills and the desirability of a worker in a given region and industry. Wages may also reflect economic climates over time. Figure 4 plots new-hire earnings for the Castle Country and Southeastern Utah regions over the last decade. These can be compared to the new-hire earnings statewide, also plotted in the time series. Earnings have been adjusted for inflation and we call this 'real earnings.' They also have been seasonally adjusted to more clearly establish cyclical trends. Real earnings for new hires in the Castle Country region have remained relatively flat over the last 11 years. While real earnings increased during the boom years of 2004 through 2007, by 2012 new-hire earnings fell back to \$2,400, essentially the same inflation-adjusted value as in 2001. This pattern follows quite closely with the statewide real earnings trend. The picture, however, is different for the Southeast region. In January 2001, real earnings for new hires measured just above \$1,600, significantly lower than the statewide real earnings level. Over the course of the remaining years, new-hire real earnings for the area have steadily increased. By second quarter 2012, real earnings for Southeast Utah had closed much of the earnings gap between this region and statewide real earnings for new hires. This reflects increasing real wages for new hires in accommodation and food services as well as mining, which has added

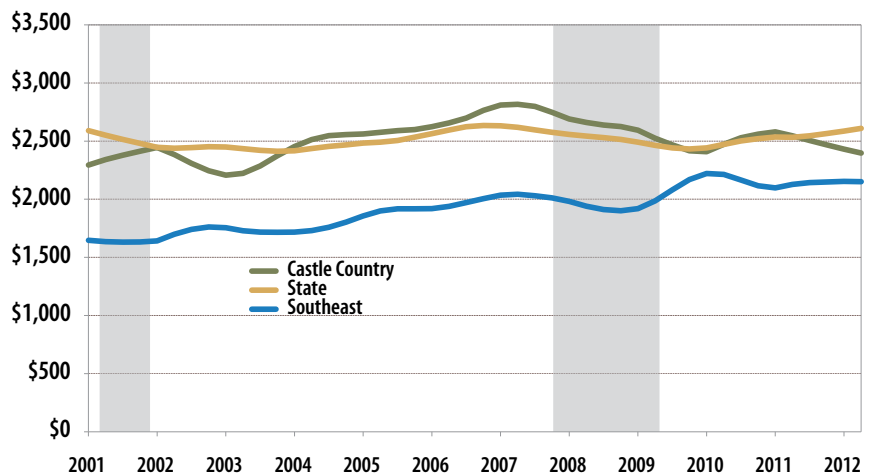
many new jobs with relatively high wages beginning around 2005.

Profiles

For the Castle Country region, new hires as a percentage of total employment have been slipping. This is largely due to the cut-backs in a contracting coal mining industry. Nevertheless, industries most active in hiring new employees include leisure and hospitality, retail trade, mining, health care, and administrative support and waste management services. Two in three hires will be 34 years old or younger and hiring odds are slightly in favor of the male population. Moreover, half of new wage earners will have at least some college experience. Real earnings for new hires have remained relatively flat over the last eleven years.

For the Southeast region, new hires as a percentage of total employment have been falling since 2005. This does not imply that the Southeast economy has not been contracting, or that businesses are not hiring. It is important to re-emphasize that the Southeast area's tourism- and-recreation-dependent economy is highly seasonal. As a result, workers in a particular season may be let go in the off-season only to be re-hired the following on-season. There is a good chance new hires will be in leisure and hospitality, retail trade, health care or mining. Thirty-nine percent of new-hires are 24 years old or younger, while the male-to-female ratio is quite even. Forty-seven percent will have had at least some college experience. Real earnings for new hires have steadily increased over the last eleven years.

Figure 4. Castle Country and Southeast Utah Average Monthly New-Hire Earnings First Quarter 2001 to Second Quarter 2012



*Earnings have been adjusted for Inflation, all monetary values are expressed in 2012 dollars and seasonally adjusted.

Shaded region represents recessions according to the National Bureau of Economic Research (NBER)

Source: U.S. Census Bureau, LED; NBER

First-Quarter Economic Indicators for Castle Country and Southeast Utah

ERIC MARTINSON, ECONOMIST

Castle Country

Total nonfarm payroll employment for the Castle Country region averaged 12,195 jobs for the first quarter of 2013, down 2.6 percent from the first quarter of 2012. This is the ninth consecutive quarter of year-over-year declines in total non-farm employment for this region, which has been beset by a troubled coal mining outlook. Moreover, 15 of the last 16 quarters showed a decrease in year-over-quarterly employment in Castle Country. This underscores the importance of coal mining in the region's overall labor market and economy. When coal mining struggles, it has an impact on the rest of the local economy.

The area felt its deepest losses in mining, which shed 128 jobs in the region on a year-over-year basis. Two other industries, transportation and warehousing and administrative support, waste management and remediation, were also responsible for more year-over-year job losses. Leisure and hospitality, on the other hand, added an average of 42 jobs compared to last year's first quarter, while health care added around 36 jobs.

Carbon County

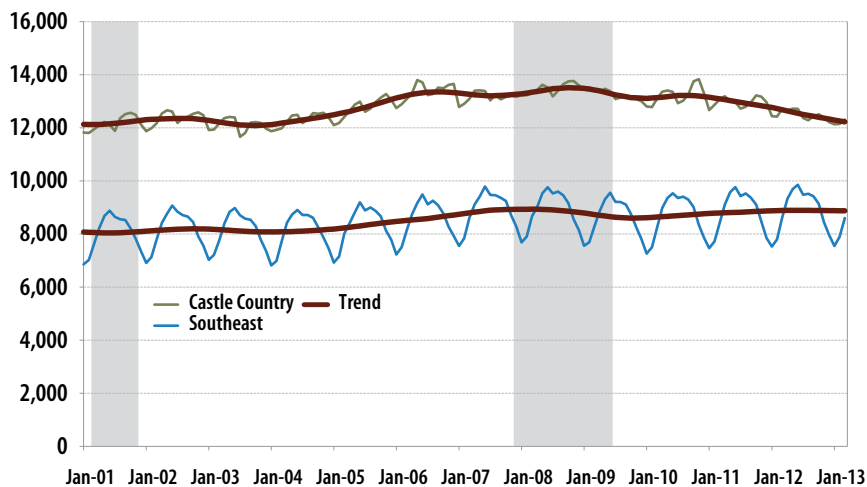
As of March 2013, Carbon County year-over-year nonfarm payroll employment was down 5.1 percent, 479 jobs fewer than in March 2012. The mining job losses in

Castle Country were concentrated mainly in Carbon County, which had about 200 jobs fewer in March 2013 than last March. The administrative support, waste management and remediation services industry lost 65 jobs, year-over-year, while transportation and warehousing dropped 59 jobs year-over-year. The bright spot in the labor market for the latest quarter on record appeared in accommodation and food services, up 9 percent year-over. Retail trade also added 22 jobs year-over-year. The average

of second quarter weekly initial unemployment claims was at 17, three lower than the second quarter of 2012. Most of the claims appeared from health care, while wholesale trade, administration, waste management and remediation services, construction, and mining also provided higher unemployment claims counts.

Construction activity has yet to pick up for the year. As of April 2013, total permitted dwelling units are down 67 percent compared to the same period of the previ-

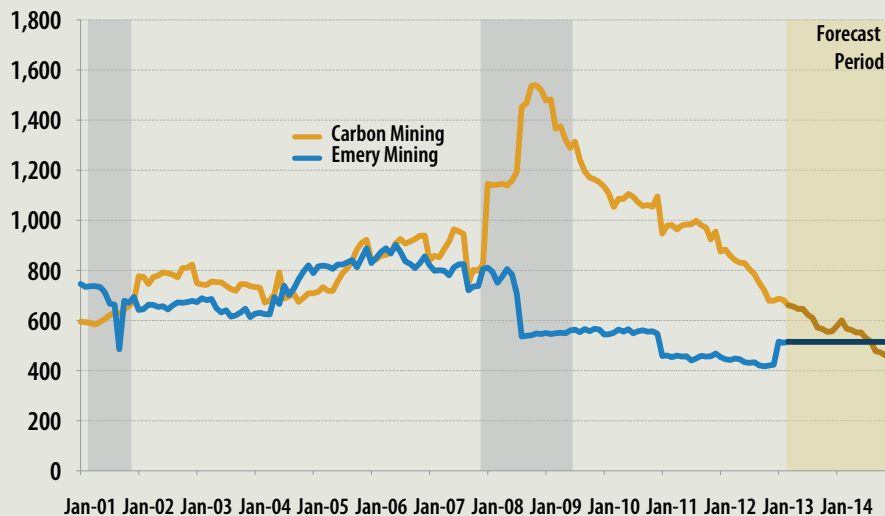
Figure 5. Total Nonfarm Payroll Employment January 2001 to March 2013



Shaded region represents recessions according to the National Bureau of Economic Research (NBER)
Source: Utah Department of Workforce Services; NBER

First-Quarter Economic Indicators for Castle Country and Southeast Utah (continued)

**Figure 6. Mining Payroll Employment by County
January 2001 to December 2014f**



f=Forecast: April 2013 to December 2014

Shaded region represents recessions according to the National Bureau of Economic Research (NBER)

Source: Utah Department of Workforce Services; NBER

ous year. Total permitted construction values are also down from January to April 2013 by 79 percent compared to the same period of last year.

The Utah State Tax Commission reported an 8-percent decrease in year-over taxable sales for Carbon County during the first quarter of 2013. This is the fourth consecutive quarter the county has reported a year-over drop in quarterly taxable sales, another indicator of a struggling economy.

Emery County

Total nonfarm payroll employment for Emery County in March 2013 was 3,401, a 2.6 percent increase, or 85 more jobs year-over-year. The most recent quarter of non-farm employment data (first quarter 2013) signals the first quarter since December of 2010 of year-over employment gains for the

county. One source for the employment increase came from the mining sector, where coal mining added around 100 jobs back into its work force. Government employment also rose by 69 jobs, an 8-percent increase, year-over-year.

The average of second quarter weekly initial unemployment claims was at seven per week, three lower than in the second quarters of 2011 and 2012, and one claim higher than the second quarter of 2008. Second quarter unemployment claims appeared primarily from administration, waste management and remedial services, transportation and warehousing, health care, and mining.

Other economic indicators can provide added insight into employment data and into the overall economy. Construction activity in Emery is on pace with last year's

numbers. From January to April 2013, permitted dwelling units for the county are on par with last year's pace. Additionally, permitted construction values are well above last year's pace over the same time period. However, first quarter 2013 taxable sales for the county were down 88 percent compared to first quarter 2012. A deeper look into the data reveals that the drop in sales was due to large spending within utilities, construction and manufacturing made last year, likely related to a large construction or overhaul project at one of the electricity-generating plants in the county.

Southeast Utah

Total nonfarm payroll employment for the Southeastern region averaged 8,012 jobs for the first quarter of 2013, up just 0.4 percent from first quarter 2012. The construction and professional business services industries, which netted a loss of 117 jobs and 111 jobs year-over-year, respectively, provided the main source for the drop. Bright spots in the labor market within the Southeast appeared in manufacturing, leisure and hospitality, and health care and social services.

Grand County

Grand County saw a 1.8 percent year-over increase in nonfarm payroll employment in March 2013. The accommodation and food services sector netted a 105-job gain compared to last March, while trade, transportation and utilities added a net of 42 jobs in March year-over-year. Mining suffered some losses as it dropped 26 jobs year-over-year in the same month. The public sector also dropped year-over employment.

Five initial unemployment insurance claims is the average for Grand County

throughout the second quarter of 2013, just one more than pre-recession parity. Predictably, most of the claims are filed against accommodation and food services and retail trade, due to the prevalence of highly seasonal industries in the county's economy.

Construction activity in the region has yet to warm up according to the first four months of Utah Bureau of Economic and Business Research data. Early in the year permitted dwelling units and construction values were both down 100 percent.

Quarterly taxable sales enjoyed a ninth consecutive quarter of year-over growth in Grand County. This, in addition to the continued job gains in leisure and hospitality, underscores a relatively healthy tourism and recreation-based economy over the last several quarters.

San Juan County

This March, San Juan County was 94 jobs shy of last March's total employment count, a drop of 2.4 percent. Mining took the biggest hit as it lost 104 jobs compared to March 2012. Professional and business services also tumbled, losing 82 jobs- half of last March's employment count in this sector of the labor market. Manufacturing saw a boost of 105 jobs in March, year-over-year, while education, health and social services also netted a gain of 58 jobs.

In the second quarter of 2013, San Juan County had an average of eight initial unemployment insurance claims per week. This is one per week higher than pre-recession levels. Over half of the claims during the second quarter are against administration, waste management and remediation, health care, education, government, and construction.

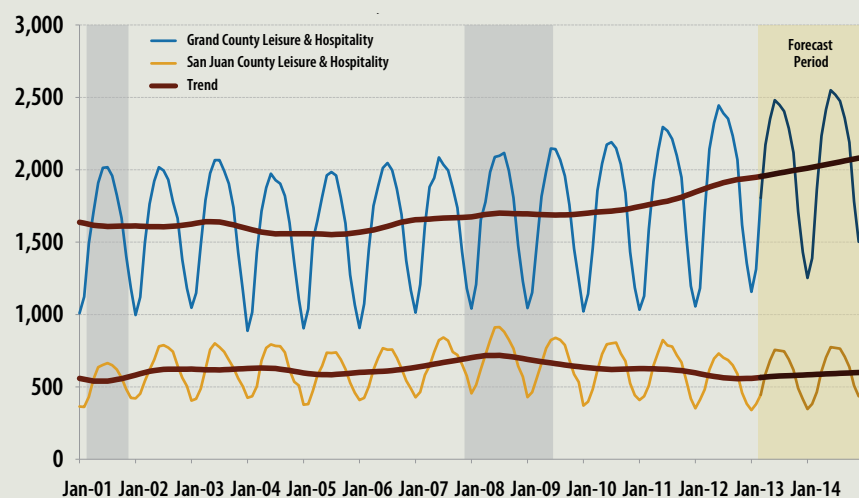
Permitted dwelling units from January to

April 2013 show the county 25 percent behind last year's pace over the same period, and down 13 percent in total permitted construction values. On the other hand, taxable sales for the county were 47 percent higher during the first quarter of 2013 compared to last year. Large expenditures were made within mining, utilities and manufacturing during the first quarter of 2013 compared year-over-year.

Overall, the economic picture in the Castle Country and Southeast regions of the state are mixed. With coal mining activity struggling to make advances Carbon County has seen better economic days. However, Emery County - a county not unlike Carbon

in its economic make-up - has experienced a positive first quarter this year in terms of employment. Tourism and recreation in Grand County continues to drive the Southeast's economy, despite some setbacks in San Juan County.

**Figure 7. Leisure and Hospitality Payroll Employment by County
January 2001 to December 2014f**



f=Forecast: April 2013 to December 2014

Shaded region represents recessions according to the National Bureau of Economic Research (NBER)

Source: Utah Department of Workforce Services; NBER



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The Benefits of New Hire Registry

BY MELAUNI JENSEN, LMI ANALYST

All employers in the United States are required by federal law to report information about all newly hired employees to their designated state agency. In 1997, the Department of Workforce Services was given the responsibility of managing the New Hire Registry Act for Utah, where employers must report the information within 20 days of a new hire's first day. The primary purpose of this law was the result of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, an all-inclusive bipartisan welfare reform system aimed at ending the federal entitlement to assistance, and whose main reform was the start of the Temporary Assistance for Needy Families (TANF) program. Both TANF and the New Hire's Registry were to be designed in such a way to promote work, responsibility and self-sufficiency in an effort to strengthen families.

You may wonder what reporting new hires has to do with child support reforms. Before 1997, when a parent was ordered to pay child support, this amount was taken out of the worker's paycheck by the employer through wage withholding orders. If a worker changed or found new employment, it could take months for the orders to follow to their new employer. Reporting new hire data provided the ability to track those non-custodial parents in a more timely fashion, thus reducing the lag of payments to the custodial parent. This ties in with the fixed work requirements under PRWORA that custodial parents receiving public assistance are to fulfill.

Aside from the immediate purposes stated above, the nature and scope of the data gathered provides a wealth of socio-economic information.

Because reporting includes demographic and geographic information as well as standard information about the employer reporting the new hire, new hire data can answer such questions as which industries are hiring the most workers and which occupations are growing. Analysts can track the hiring patterns of old and young workers and male and female new hires, all by various geographical groupings.

Since its legislation, the initiative has significantly improved child support payments and collections while decreasing the payment and reporting time lags of custodial parent workers moving from one employer to the next. In addition, the registry has helped to detect and prevent fraud in other assistance programs. Cases can be matched between the New Hire Registry and Unemployment Insurance, Food Stamps and other programs associated with TANF which are under the PRWORA provision. Cases can even be matched to other programs like Medicaid in the detection and prevention of overlooked benefits usage in multiple states.

The value of the Registry is diverse and cannot be overstated. Ultimately, the New Hire Registry has saved and continues to save taxpayer dollars by increasing the self-sufficiency of custodial parents, ensuring for more efficient payments and collections to child support and decreasing instances of fraud by recipients of various assistance programs within and throughout states.

Employers seeking more details on how to report new hire information can consult the DWS Employer's Handbook at: <https://jobs.utah.gov/UI/Employer/Public/Handbook/EmployerHandbook.aspx>